

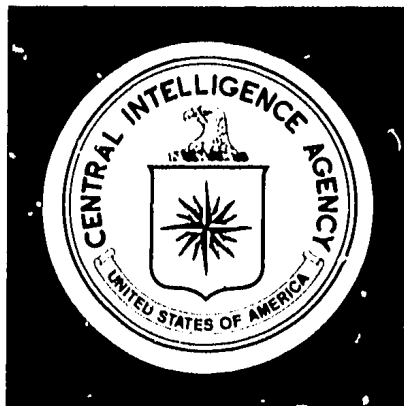
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Economic Intelligence Weekly

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CIA No. 7765/73
23 August 1973

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Publication of Interest

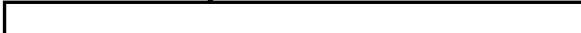
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Comparative Indicators

Recent Data Concerning Domestic and External
Economic Activity

Inside Back Cover

Note: Comments and queries on the contents of this publication are welcomed. They may be directed to 

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ECONOMIC INTELLIGENCE WEEKLY

Notes

International Monetary Developments

The dollar fluctuated sharply in heavy trading during the past week, showing a small net overall advance against most other major currencies. A sudden fall in the dollar's value on Monday reflected dealers' expectations of continuing strong West German trade performance and remaining uncertainties about US political developments. Higher short-term dollar and Eurodollar interest rates remain an important factor in the dollar's favor. Sharp fluctuations also occurred in the gold market, although gold prices showed little net movement. [REDACTED]

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First Boeing 707 to Be Turned Over to China

This week, Boeing Aircraft will deliver the first of ten 707s ordered by the PRC in 1972. The Chinese have been sensitive about quality control throughout production of this aircraft. Originally scheduled for 9 August, delivery was delayed first by damage to the fuselage on the assembly line and then by an oil leak in an engine. Following the test flight on 17 August, the Chinese agreed to accept the aircraft as soon as Boeing completed minor repairs. [REDACTED]

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Soviet Tankers Begin Carrying Petroleum to the United States

Soviet tankers are carrying petroleum to the United States for the first time. Three have already arrived or are en route with crude oil loaded in Egypt, probably on Soviet account. Each vessel may pick up grain in US Gulf ports after discharging [REDACTED]

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US-PRC Shipping Talks

Officials of Sealand Lines Inc., a major US container-shipping company, expect to negotiate an agreement with the PRC next month. The proposal calls for the distribution of Sealand containers throughout South China for packaging and eventual shipment to Hong Kong by rail or coastal vessel. The PRC is seeking a US-flag carrier for South China to avoid becoming

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overly dependent on Japanese carriers, who now handle most container cargo from North China. Initially at least, the shipping trade would be small, but Sealand thinks that the Chinese may also be interested in obtaining container port facilities and container ships, as well as establishing coastal feeder services. [REDACTED]

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Jordan: Outlook for Enlarged Budget Deficit

Amman will incur a 1973 budgetary deficit of about \$73 million -- double last year's amount -- and may have to turn to the United States for supplemental aid. Revenues this year are suffering from reduced foreign aid, while expenditures are increasing because of expanded military purchases, drought-related costs, and higher debt repayments. [REDACTED]

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[REDACTED]

Meanwhile, the central bank is financing the deficit, adding substantially to liquidity and aggravating the inflation. [REDACTED]

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US Exports to Poland Soar

US exports to Poland quadrupled in January-June 1973 to \$184 million with grain, oilcakes, and oil seeds accounting for most of the growth. This expansion accounted for more than two-thirds of the 168% rise in total US exports to Eastern Europe. US imports from Poland rose by only 31% to \$84 million, and the United States realized its first surplus on this trade in nine years. Although orders for US agricultural products so far are below those for the first six months and most deliveries on recently ordered US equipment probably will not start until 1974, the United States may have a 1973 trade surplus with Poland of more than \$125 million.

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Articles

Worldwide Grain Developments

Pakistan

The Bhutto government estimates that the severe flooding in the Punjab last week inundated 5 million acres under crops and damaged more than 1 million tons of stored grain. Damage to standing crops is estimated at \$250 million; most affected were cotton and rice, the major foreign exchange earners. Flood waters, now receding in the Punjab, are overflowing the Indus River banks farther south. Pakistan imported about 1.5 million tons of grain in FY 1973 and prior to the flood was expected to seek only about 1 million tons of grain this year. To compensate for lost food stocks and damaged crops, Islamabad estimates that it will need an additional 1.5 million tons of wheat, corn, and sorghum. [REDACTED]

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Canada

To ease pressure on US supplies, Ottawa has agreed to a US request that it make additional wheat available for export by further reducing its reserves. Canada will draw down its stocks by some 2.7 million tons during the year ending in July 1974. Stocks would then drop to about 7.3 million tons, compared with an estimated 10 million tons in July 1973 -- itself an 11-year low. [REDACTED]

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USSR

During the past two weeks a severe storm that swept out of the Black Sea dumped heavy and persistent rains over the western USSR, where the grain crop is currently being harvested. The immediate damage from the storm was probably moderate, but if cloudy wet weather continues, sprouting and mold could diminish seriously the quality of unthreshed breadgrains. Harvesting operations had previously been slowed by lodged grain and rain. By 20 August, 48% of the total grain area had been threshed, compared with an average of 52% in 1970-72. [REDACTED]

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European Community

In sharp contrast with the past, the EC imposed export taxes on soft wheat, corn, and barley last week as world market prices rose above the Community levels. EC policy normally protects high domestic agricultural prices through export subsidies and import levies. If world market prices continue to rise, the new taxes will be adjusted to maintain a deterrent

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to exports. The tax on soft wheat replaces the export ban introduced on 7 August; the ban on hard wheat exports, also introduced on 7 August, continues. Trade in flour has not been affected by the ban or taxes.

[REDACTED]

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Sri Lanka

The government, assuming that PL-480 wheat flour will not be available this year, has approved a provisional contract for 100,000 tons of French flour. This contract follows purchases of 161,000 tons of European flour earlier this month. These imports normally would allow Sri Lanka to meet consumption requirements through June 1974, but more flour than usual probably will have to be distributed this winter to compensate for rice shortages. The cost of this imported flour - some \$60 million - could force restrictions on non-food imports, unless the government obtains compensating foreign assistance.

[REDACTED]

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Egypt

Cairo will have more difficulty than usual this year arranging for its normal imports of about 3 million tons of wheat. Australia may provide 1 million tons of the total, and Egypt hopes to get 1.5 million tons of US wheat on CCC credit during FY 1974.

[REDACTED]

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SECRET**Tokyo Considers International Role for the Yen**

Japan's Ministry of Finance is considering easing foreign exchange controls as a step toward making the yen an international currency. The Japanese business community wants liberalized controls, and international monetary circles are discussing inclusion of the yen in a proposed multiple-currency reserve system. Japan now uses dollars for more than 90% of trade transactions and nearly all capital flows - transactions involving many billions of dollars annually.

A shift into yen would reduce international demand for dollars, probably causing the dollar's value to decline under a system of floating exchange rates and exerting pressure in that direction under a system of fixed parities. In the short term, the cut in the dollar's value could provoke speculative capital movements and intensify exchange market instability, but in the longer run it should improve the US competitive position in trade.

Tokyo now maintains tighter controls on capital inflows than any other major industrialized nation and restricts the use of yen in Japan by non-residents. The Federation of Economic Organizations, representing big business, argues that Japan would gain financial flexibility by making the yen freely convertible.

In the absence of controls, the yen would be widely accepted in international transactions. Some countries already want their exporters to be paid in yen for goods shipped to Japan, and recently Tokyo gave permission to a few oil exporting countries to increase their yen balances in Tokyo. A large share of Japan's trade transactions could be settled in yen, if freely convertible, and loans in yen could be made to foreigners without the present mandatory conversion into dollars.

Despite growing interest in internationalizing the yen, Tokyo is moving cautiously. Ministry of Finance officials stated this week that no major changes were planned at least until the September IMF meeting. A gradual loosening of controls on capital inflows is likely, however, especially in view of the declining trade surplus and the balance-of-payments deficit of \$4 billion during the first half of 1973.

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Ecuadorean Oil Developments

The Texaco-Gulf consortium and Ecuador Sun Oil Company met a government-imposed August deadline by signing revised 20-year production contracts. The Anglo-Ecuadorean consortium - Union Oil Company, Burman Oil Company, and Ecuadorean investors - is expected to sign a contract shortly. The new contracts call for production sharing and future equity participation by the state. They also incorporate the tax and acreage reversion provisions imposed under the 1972 Hydrocarbons Law. At the expiration of the contracts, all machinery, equipment, and other oil company property will revert to the state at no cost.

Only Texaco-Gulf, with a production rate approaching 250,000 barrels per day (b/d) - equal to about 10% of Venezuelan output - is currently in the production phase. Under the terms of its new contract the state can buy up to 26% of crude oil produced at the tax reference price or the market price (whichever is higher). The state petroleum company has the option to purchase up to 25% of the Texaco-Gulf properties after June 1977 and thus could gain access to more crude oil.

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The remaining companies - still in the exploration phase - have protested that the tax and other obligations imposed by the government make the development of smaller, unproved fields uneconomic even at today's oil prices. Few of these companies are likely to continue activity beyond present terminal dates for their agreements.

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Next 1 Page(s) In Document Exempt

Publication of Interest

The World Sugar Market: Recent Trends and Short-Term Prospects
(CIA ER RP 73-14, August 1973,)

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The world sugar market continued to tighten during the 1972 and 1973 crop years. Production problems, mainly in the Communist areas, kept output below consumption for the third consecutive year, dropping world stocks to abnormally low levels. Prices in the free market, where about one-half of the sugar moving in international trade is sold, rose sharply to an average of 7.7 US cents per pound in 1972 and to about 9.5 cents so far this year, exerting strong pressures on prices in the US and Communist-area preferential markets. Although the world supply situation is expected to remain tight over the next couple of years, output gains in a few major exporting countries should ease pressure a little on the free market.

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DOMESTIC ECONOMIC INDICATORS

GNP* (Constant Market Prices)					WHOLESALE PRICES (Industrial)						
Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since			Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since				
		1970	1 Year Earlier	3 Months Earlier			1970	1 Year Earlier	3 Months Earlier		
Quarter				Previous Quarter							
United States	73 II	0.0	5.1	6.4	2.5	United States	Jul 73	0	4.8	7.5	8.3
Japan	73 I	3.0	9.8	10.0	15.2	Japan	Jul 73	2.0	4.0	15.7	17.8
West Germany	73 II	-1.1	3.9	7.2	-4.2	West Germany	Jul 73	0.8	4.9	7.3	7.8
France	73 I	2.0	5.5	3.8	8.2	France	Apr 73	0.8	6.2	12.0	20.2
United Kingdom	73 II	0.7	3.2	5.4	2.8	United Kingdom	Jun 73	1.0	6.7	6.2	3.7
Italy	73 I	0.8	3.1	5.2	3.4	Italy	May 73	1.9	6.9	13.8	20.0
Canada	73 I	2.9	6.3	8.0	12.1	Canada	Jun 73	1.8	7.5	10.1	15.8

INDUSTRIAL PRODUCTION*

United States	Jul 73	1.1	5.7	10.2	8.1
Japan	Jun 73	0.4	9.2	19.4	13.0
West Germany	May 73	1.1	4.4	7.8	-2.2
France	Jun 73	-1.5	7.1	8.9	0
United Kingdom	Jun 73	0.4	3.9	10.4	-1.4
Italy	May 73	9.3	3.4	8.8	51.7
Canada	May 73	0.1	6.9	10.3	7.5

CONSUMER PRICES

United States	Jun 73	0.7	4.5	5.9	8.3
Japan	May 73	1.0	7.5	11.1	29.1
West Germany	Jul 73	0.3	6.1	7.5	9.4
France	Jun 73	0.8	6.1	7.4	10.0
United Kingdom	Jul 73	0.4	8.5	9.4	7.0
Italy	Jun 73	0.9	7.2	11.4	14.5
Canada	Jul 73	0.9	5.1	7.7	10.4

RETAIL SALES*
(Current Prices)

United States	Jul 73	3.3	11.8	14.2	16.5
Japan	Mar 73	4.0	12.9	24.8	45.2
West Germany	Jun 73	-1.3	9.3	10.0	11.8
France	Mar 73	4.1	6.3	7.0	6.7
United Kingdom	Apr 73	-7.2	9.8	11.2	-3.0
Italy	Feb 73	9.0	11.5	18.8	24.1
Canada	Jun 73	0.5	10.4	10.4	-0.3

MONEY SUPPLY*

United States	Jul 73	0.4	7.8	8.7	10.8
Japan	May 73	-0.6	19.0	30.5	28.8
West Germany	May 73	-4.2	10.2	8.4	-13.6
France	Mar 73	1.2	12.7	10.4	-2.1
United Kingdom	Jul 73	2.3	12.2	13.0	12.9
Italy	Feb 73	2.1	20.1	18.7	21.5
Canada	May 73	2.3	14.1	17.5	20.3

MONEY-MARKET RATES

MONEY - MARKET RATES		Percent Rate of Interest				
		Latest	12 Months Earlier	3 Months Earlier	1 Month Earlier	
United States	Prime finance paper	Aug 17	8.75	4.50	7.25	8.13
Japan	Call money	Aug 11	7.50	4.25	6.00	7.25
West Germany	Interbank loans (3 months)	Aug 17	14.50	4.82	12.83	14.25
France	Call money	Aug 10	8.89	3.82	7.44	8.83
United Kingdom	Local authority deposits	Aug 17	12.75	4.55	7.34	8.38
Canada	Finance paper	Aug 17	8.00	4.88	6.83	7.63
Euro-Dollars	Three-month deposits	Aug 17	11.22	5.50	8.50	10.88

*Seasonally Adjusted

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EXTERNAL ECONOMIC INDICATORS

		Average Annual Growth Rate Since			
	Latest Period	Percent Change from Previous Period	1970	1 Year Earlier	3 Months Earlier
EXPORT PRICES (U.S.)					
United States	Jun 73	1.6	6.7	14.0	25.0
Japan	Jul 73	1.7	12.3	23.3	20.4
West Germany	May 73	3.5	11.8	17.9	54.7
France	Mar 73	6.9	12.8	20.6	70.4
United Kingdom	Jun 73	3.1	11.2	11.8	34.1
Italy	Apr 73	0.9	8.2	9.8	24.7
Canada	Apr 73	3.5	6.0	12.5	32.8

EXPORT PRICES

(National Currency)

United States	Jun 73	1.6	6.7	14.0	25.0
Japan	Jul 73	1.3	1.8	8.0	17.6
West Germany	May 73	0.8	1.4	2.3	10.2
France	Mar 73	1.5	4.9	8.3	12.3
United Kingdom	Jun 73	1.2	8.6	10.8	15.1
Italy	Apr 73	2.8	5.7	10.4	28.0
Canada	Apr 73	3.6	4.8	13.0	33.4

IMPORT PRICES

(National Currency)

United States	Jun 73	0.4	9.7	16.4	32.4
Japan	Jul 73	4.0	5.0	24.0	46.5
West Germany	May 73	1.1	0.6	3.2	6.5
France	Mar 73	1.9	2.5	0.4	-16.3
United Kingdom	Jun 73	1.7	11.4	28.4	34.7
Italy	Apr 73	3.3	8.5	16.7	49.2
Canada	Mar 73	3.4	4.0	6.2	18.4

OFFICIAL RESERVES

Billion U.S. \$

	Latest Period		1 Year Earlier	3 Months Earlier
	End of	June 1970		
United States	Jun 73	14.0	16.3	13.3
Japan	Jul 73	15.2	4.1	15.9
West Germany	Jul 73	40.9	8.8	24.8
France	Jul 73	10.4	4.4	9.9
United Kingdom	Jul 73	6.6	2.8	6.1
Italy	Apr 73	6.4	4.7	6.5
Canada	Jul 73	5.8	4.3	6.2

EXPORTS*

(f.o.b.)

(f.a.b.)	Latest Period	Million US \$	Cumulative - (Million US \$)	
			1973	1972
United States	Jun 73	5,778	Jan-Jun 32,289	22,986
Japan	Jul 73	3,115	Jan-Jul 18,733	15,359
West Germany	Jun 73	5,088	Jan-Jun 29,916	22,498
France	Jul 73	3,309	Jan-Jul 20,292	14,824
United Kingdom	Jul 73	2,482	Jan-Jul 16,117	13,541
Italy	Jun 73	1,937	Jan-Jun 9,479	8,868
Canada	Jun 73	2,132	Jan-Jun 11,984	9,700

IMPORTS*

(f.o.b.)

(f.a.b.)	Latest Period	Million US \$	Cumulative (Million US \$)		
			1973	1972	
United States	Jun 73	5,793	Jan-Jun	33,099	25,114
Japan	Jul 73	2,885	Jan-Jul	16,480	10,128
West Germany	Jun 73	4,039	Jan-Jun	23,408	18,305
France	Jul 73	3,128	Jan-Jul	19,492	14,276
United Kingdom	Jul 73	2,883	Jan-Jul	18,407	13,978
Italy	Jun 73	2,212	Jan-Jun	10,720	8,092
Canada	Jun 73	1,994	Jan-Jun	11,110	8,082

TRADE BALANCE*

(f.o.b./f.o.b.)

(f.o.b./f.o.b.)	Latest Period	Cumulative (Million US \$)			
		Million US \$		1973	1972
United States	Jun 73	-15	Jan-Jun	-810	-2,128
Japan	Jul 73	429	Jan-Jul	3,273	5,233
West Germany	Jun 73	1,050	Jan-Jun	6,507	4,193
France	Jul 73	183	Jan-Jul	801	549
United Kingdom	Jul 73	-402	Jan-Jul	-2,289	-436
Italy	Jun 73	-275	Jan-Jun	-1,241	776
Canada	Jun 73	138	Jan-Jun	874	618

EXCHANGE RATES (Spot Rate)

As of 17 Aug 73	U.S. \$ Per Unit	Percent Change from			
		Dec 66	18 Dec 71	19 Mar 73	10 Aug 73
Japan (Yen)	0.0038	36.53	16.01	-0.95	-0.08
West Germany (Deutsche Mark)	0.4044	60.86	30.33	14.21	-2.53
France (Franc)	0.2304	14.12	17.01	4.54	-2.78
United Kingdom (Pound Sterling)	2.4645	-11.69	-5.42	0.14	-0.48
Italy (Lira)	0.0017	8.06	0.58	-2.26	0
Canada (Dollar)	0.9958	7.96	-0.20	-0.19	-0.08

TRADE-WEIGHTED EXCHANGE RATES

As of 17 Aug 73	Percent Change from			
	Dec 66	18 Dec 71	19 Mar 73	10 Aug 73
United States	-18.36	-8.82	-2.04	0.84
Japan	23.86	9.86	-2.20	0.39
West Germany	32.36	15.34	10.32	-0.29
France	-11.90	1.32	-1.11	-0.97
United Kingdom	-31.82	-17.84	-3.50	1.07
Italy	-16.64	-15.44	-8.82	2.32
Canada	4.14	-2.39	-0.74	0.18

*Seasonally Adjusted

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